

Auditing Procedures Report

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	Charter Township of Larkin	County	MIDLAND	Type	TOWNSHIP	MuniCode	56-1-090
Opinion Date-Use Calendar	May 13, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 882,174.00
General Fund Expenditure:	\$ 822,102.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 339,341.00
Governmental Activities Long-Term Debt (see instructions):	\$ 3,616,242.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Mark	Last Name	Freed	Ten Digit License Number	1101012221		
CPA Street Address	5915 Eastman Ave., Suite 100	City	Midland	State	MI	Zip Code	48640
CPA Firm Name	Burnside & Lang, P.C.	Unit's Street Address	3027 N Jefferson	City	Midland	LU Zip	48642

CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended December 31, 2007

CHARTER TOWNSHIP OF LARKIN

BOARD OF TRUSTEES

Leonard Servinski	Supervisor
Kathy Moe	Treasurer
Lisa Johnson	Clerk
Scott Atton	Trustee
Karen Hitchcock	Trustee
James Snider	Trustee
Donna Harrington	Trustee

POPULATION-2000
4,514

STATE EQUALIZED VALUATION-2007
\$236,965,200

STATE TAXABLE VALUE-2007
\$218,378,965

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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Members of the Township
Board of Trustees
Charter Township of Larkin
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Larkin, Midland County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Larkin, Midland County, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 21, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
May 13, 2008

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

Using This Annual Report

This annual report of the Charter Township of Larkin (the "Township") consists of a series of financial statements. The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. The Governmental Fund financial statements of the Township tell how these services were financed in the short-term, as well as what remains for future spending. The Governmental Fund financial statements of the Township also report the Township's operations in more detail than the Government-Wide Statements of Net Assets and the Government-Wide Statements of Activities.

The Township As A Whole

The net assets of the Township increased by \$183,900 or 0.97% from the prior year, going from \$5,546.1 million to \$5,730.0 million. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) for the Township as of December 31, 2007 verses December 31, 2006.

	<u>2007</u>	<u>2006</u>
Current Assets	\$ 2,420.8	\$ 2,140.9
Noncurrent Assets	<u>7,730.2</u>	<u>8,040.9</u>
Total Assets	<u>10,151.0</u>	<u>10,181.8</u>
Liabilities	<u>(4,421.0)</u>	<u>(4,635.7)</u>
Net Assets		
Invested in Capital Assets	2,202.3	2,002.5
Restricted	3,107.3	3,143.3
Unrestricted	<u>420.4</u>	<u>400.3</u>
Total Net Assets	<u>\$ 5,730.0</u>	<u>\$ 5,546.1</u>

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

The Township As A Whole (Continued)

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$20,073. The current level of unrestricted net assets for the Township stands at \$420,391. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 363.5	\$ 477.4
Grants and contributions	1.7	14.6
General Revenues		
Property taxes	635.9	299.1
City of Midland agreement	39.2	35.2
State revenue sharing	388.7	310.9
Interest earnings	53.7	26.7
Miscellaneous	2.8	51.8
Total Revenues	<u>1,485.5</u>	<u>1,215.7</u>
Program Expenses		
General government	293.2	295.6
Public safety	116.8	116.2
Public works	493.9	448.6
Community development	8.5	9.0
Recreation and culture	65.5	78.5
Interest and fiscal charges	323.7	216.0
Total Expenses	<u>1,301.6</u>	<u>1,163.9</u>
Change in Net Assets	<u>\$ 183.9</u>	<u>\$ 51.8</u>

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2007**

The Township As A Whole (Continued)

The Township's net assets continue to remain healthy as total revenues increased by 8% and expenses increased by 8% over the previous year. As a result, net assets increased by \$183,900 this year compared to a \$51,879 increase last year.

General Fund Budgetary Highlights

Over the course of the year the Township Board amended the general fund budget to take into account events during the year. Total expenditures in the budget were increased \$166,689 to \$918,755. The Township Board major project for 2007 consisted of setting up a Water 3 district, to supply the remainder of the Township (excluding a few roads) with city water and to also allow Mills Township to connect to the Larkin Charter Township water lines.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

CHARTER TOWNSHIP OF LARKIN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 1,245,909
Taxes receivable - current	409
Due from tax fund	856,668
Prepaid survey expenses	263,837
Other receivables	54,050
Assessments receivable - long-term	1,911,530
Capital assets:	
Land	77,600
Buildings and improvements, net	502,930
Township equipment, net	99,900
Fire department equipment, net	100,031
Fire department vehicles, net	357,584
Water system, net	4,680,557
Total capital assets	<u>5,818,602</u>
Total assets	<u>10,151,005</u>

LIABILITIES

Accounts payable	117,488
Accrued expenses	7,018
Deferred revenue	675,395
Due to other governmental units	-
Deposits and other liabilities	4,817
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	268,775
Portion due or payable after one year:	
Bonds and contracts payable	3,347,467
Capital lease	-
Total liabilities	<u>4,420,960</u>

NET ASSETS

Invested in capital assets, net of related debt	2,202,360
Restricted for:	
Debt service	3,107,294
Unrestricted	420,391
Total net assets	<u>\$ 5,730,045</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF LARKIN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 13,045	\$ -	\$ -	\$ -	\$ (13,045)
Supervisor	16,221	-	-	-	(16,221)
Treasurer	33,434	4,444	-	-	(28,990)
Assessing	29,806	-	-	-	(29,806)
Clerk	27,370	-	-	-	(27,370)
Elections	2,743	-	-	-	(2,743)
Buildings and grounds	75,177	450	-	-	(74,727)
All other general government	63,681	-	1,700	-	(61,981)
Fire protection	51,833	-	-	-	(51,833)
Building inspection and regulation activities	19,747	27,807	-	-	8,060
Roads and drains	255,938	-	-	-	(255,938)
Water system	8,008	63,703	-	-	55,695
Sanitation, solid waste	229,972	250,032	-	-	20,060
Planning and zoning	8,486	-	-	-	(8,486)
Parks and recreation	7,340	-	-	-	(7,340)
Library	58,168	-	-	-	(58,168)
Interest and fiscal charges	400,672	17,025	-	-	(383,647)
Total governmental activities	\$ 1,301,641	\$ 363,461	\$ 1,700	\$ -	(936,480)
General revenues:					
Property taxes, levied for general purposes					635,945
Property tax agreement with the City of Midland					39,194
State revenue sharing					388,661
Interest earnings					53,744
Miscellaneous					2,868
Total general revenues					1,120,412
Change in net assets					183,932
Net assets-beginning					5,546,113
Net assets-ending					\$ 5,730,045

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF LARKIN
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2007

	General Fund	Sanitation Fund	Water District 1 Debt Service Fund	Water District 2 Debt Service Fund	Water District 3 Debt Service Fund	Total
ASSETS						
Cash and cash equivalents	\$ 221,670	\$ 135,326	\$ 101,505	\$ 748,265	\$ 39,143	\$ 1,245,909
Taxes receivable, net	409	-	-	-	-	409
Assessment receivable, net	-	-	122,765	1,788,765	-	1,911,530
Due from other funds	392,727	211,140	18,403	234,398	-	856,668
Prepaid survey expenses	263,837	-	-	-	-	263,837
Other receivables	-	-	18,338	35,712	-	54,050
Total assets	\$ 878,643	\$ 346,466	\$ 261,011	\$ 2,807,140	\$ 39,143	\$ 4,332,403
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 90,617	\$ 26,871	\$ -	\$ -	\$ -	\$ 117,488
Accrued expenses	7,018	-	-	-	-	7,018
Deposits and other liabilities	4,817	-	-	-	-	4,817
Deferred revenue	436,850	238,545	-	-	-	675,395
Total liabilities	539,302	265,416	-	-	-	804,718
Fund balances:						
Unreserved	339,341	81,050	261,011	2,807,140	39,143	3,527,685
Total fund balances	339,341	81,050	261,011	2,807,140	39,143	3,527,685
Total liabilities and fund balances	\$ 878,643	\$ 346,466	\$ 261,011	\$ 2,807,140	\$ 39,143	\$ 4,332,403

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF LARKIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2007

Total fund balances for governmental funds (Exhibit 4) \$ 3,527,685

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 77,600	
Buildings and improvements, net of \$195,928 accumulated depreciation	502,930	
Township equipment, net of \$106,437 accumulated depreciation	99,900	
Fire department equipment, net of \$135,083 accumulated depreciation	100,031	
Fire department vehicles, net of \$296,496 accumulated depreciation	357,584	
Water system, net of \$691,947 accumulated depreciation	<u>4,680,557</u>	
Total capital assets		5,818,602

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at December 31, 2007 are:

Midland County Water Supply System Bonds, Series 1997	\$ (260,000)	
Midland County Water Supply System Bonds, Series 1999	(3,235,000)	
Installment Purchase Contract, Township Office	(121,242)	
		<u>(3,616,242)</u>

Total net assets of governmental activities (Exhibit 2)	\$ 5,730,045	<u><u>5,730,045</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF LARKIN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended December 31, 2007

	General Fund	Sanitation Fund	Water District 1 Debt Service Fund	Water District 2 Debt Service Fund	Water District 3 Debt Service Fund	Total
REVENUES						
Property taxes	\$ 424,117	\$ -	\$ 16,640	\$ 234,381	\$ -	\$ 675,138
Licenses and permits	27,807	-	-	-	-	27,807
State aid	388,661	-	-	-	-	388,661
Charges for services	4,894	-	-	60,509	-	65,403
Interest and dividends	15,102	5,829	3,472	28,323	1,018	53,744
Rents and royalties	17,025	-	-	-	-	17,025
Special assessments	-	237,060	16,166	-	-	253,226
Donations and contributions	1,700	-	-	-	-	1,700
Miscellaneous	2,868	-	-	-	-	2,868
Total revenues	882,174	242,889	36,278	323,213	1,018	1,485,572
EXPENDITURES						
General government	261,477	-	-	-	14,792	276,269
Public safety	71,580	-	-	-	-	71,580
Public works	255,938	229,972	4,004	4,004	-	493,918
Community development	9,346	-	-	-	-	9,346
Recreation and culture	65,508	-	-	-	-	65,508
Capital outlay	81,258	-	-	-	-	81,258
Debt service	76,995	-	56,856	369,792	-	503,643
Total expenditures	822,102	229,972	60,860	373,796	14,792	1,501,522
Net change in fund balances	60,072	12,917	(24,582)	(50,583)	(13,774)	(15,950)
Fund balances-beginning	279,269	68,133	285,594	2,857,723	52,916	3,543,635
Fund balances-ending	\$ 339,341	\$ 81,050	\$ 261,012	\$ 2,807,140	\$ 39,143	\$ 3,527,685

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF LARKIN
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (15,950)
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$181,292) exceeded capital outlay (\$81,211) in the current period.	(100,081)
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Midland County Water Supply System Bonds, Series 1997	40,000	
Midland County Water Supply System Bonds, Series 1999	190,000	
Installment Purchase Contract, Township Office	26,574	
Capital Lease, Fire Truck	43,389	
	299,963	

Change in net assets of governmental activities (Exhibit 3)	\$ 183,932
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF LARKIN
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 956,552
Taxes receivable	<u>2,847,967</u>
Total assets	<u>3,804,519</u>

LIABILITIES

Due to other funds	856,668
Due to other governmental units	<u>2,947,851</u>
Total liabilities	<u>3,804,519</u>

NET ASSETS

<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected seven-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2007 taxable valuation of the Township totaled \$236.9 million, on which ad valorem taxes levied consisted of 1.5 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Sanitation Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

The Water District #1 and #2 Debt Service Funds account for the resources accumulated and payments made for principal and interest on general long-term debt associated with the construction of water systems within the Township.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	25 to 40 years
Building improvements	25 to 40 years
Water systems	50 years
Fire apparatus	25 years
Fire equipment	5 to 25 years
Office equipment	5 to 25 years
Computer equipment	5 to 10 years

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,245,909	\$ 956,552	\$ 2,202,461

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificates of deposit)	\$ 2,202,461
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The bank balance of the government deposits is \$2,202,461 of which \$200,000 is covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,002,461 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Charter Township of Larkin will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Township's current investments have no potential interest rate risk.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 77,600	\$ -	\$ -	\$ 77,600
Capital Assets Being Depreciated				
Buildings and improvements	651,896	46,962	-	698,858
Township equipment	178,675	34,249	-	212,924
Fire department equipment	228,527	-	-	228,527
Fire department vehicles	654,080	-	-	654,080
Water system	5,372,504	-	-	5,372,504
Subtotal	7,085,682	81,211	-	7,166,893
Less Accumulated Depreciation for				
Buildings and improvements	177,324	18,604	-	195,928
Township equipment	92,645	13,792	-	106,437
Fire department equipment	119,801	15,282	-	135,083
Fire department vehicles	270,333	26,163	-	296,496
Water system	584,497	107,450	-	691,947
Subtotal	1,244,600	181,291	-	1,425,891
Net Capital Assets Being Depreciated	5,841,392	(100,080)	-	5,741,312
Governmental Activities Capital Assets–Net of Depreciation	\$ 5,918,922	\$ (100,080)	\$ -	\$ 5,818,602

Depreciation expense was charged to activities of the Township as follows:

General Government	\$ 30,110
Fire Protection	41,446
Water System	107,449
Parks and Recreation	2,286
	<u>\$ 181,291</u>

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The amount of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 392,727	Tax Collection	\$ 856,668
Sanitation	211,140		-
Water District #1	18,403		-
Water District #2	234,398		-
Total	<u>\$ 856,668</u>		<u>\$ 856,668</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Balance 01-01-07</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12-31-07</u>
2001 Township Office, Installment Purchase Contract; due 4/18/2012	5.00%	\$ 148,125	\$ -	\$ 26,883	\$ 121,242
1999 Water Supply System Bonds; due 8/1/2016	4.0% to 7.0%	3,425,000	-	190,000	3,235,000
1997 Water Supply System Bonds; due 8/1/2016	4.0% to 5.25%	300,000	-	40,000	260,000
		<u>\$ 3,873,125</u>	<u>\$ -</u>	<u>\$ 256,883</u>	<u>\$ 3,616,242</u>

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 6. LONG-TERM DEBT (Continued)

Scheduled principal maturities of long-term debt for years subsequent to December 31, 2007 are as follows:

<u>Year Ending December 31,</u>	
2008	\$ 268,775
2009	277,197
2010	288,588
2011	295,050
2012	284,532
Thereafter	<u>2,202,100</u>
	<u>\$ 3,616,242</u>

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 8. PENSION PLAN

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township ordinance 187, the Township contributes 8.5% of employee gross earnings and the employee contributes 8.5% of earnings.

In accordance with these requirements, the Township contributed \$10,301 during the current year and employees contributed \$12,643.

NOTE 9. URBAN COOPERATION ACT AGREEMENT

The Township has agreements with the City of Midland under the Urban Cooperation Act, which require these two units of government to share property taxes collected on real property annexed by the City of Midland and formerly within Larkin Township. Under the agreements, the City of Midland is required to pay Larkin Township a portion of ad valorem property taxes levied on the related property in amounts ranging from 1.0 to 2.0 mills of the state taxable valuations as of the date specified in the agreements and indexed by the rate of inflation for succeeding years. These agreements begin to expire on December 31, 2009. The Township received tax revenue totaling \$39,194 from these agreements during 2007.

**CHARTER TOWNSHIP OF LARKIN
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 10. PREPAID EXPENSE

The Township has prepaid expenses of \$263,837 in the General Fund for costs incurred for the water district. Approval of resolution at an April 11, 2006 board meeting designated a new Water District #3 fund and the related special assessment district. However, due to previous pending litigation the Township is still working on the bonding, which should be approved in April 2008. Upon approval of bonding, Water District #3 will reimburse the prepaid expenses to the Township's General Fund, from the bond proceeds or assessments collected by the water district.

NOTE 11. RELATED PARTY TRANSACTIONS

The Township has snow plowing services performed by the Supervisor's family business, Servinski Sod; payments for services the year ended December 31, 2007 totaled \$3,875.

CHARTER TOWNSHIP OF LARKIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 423,882	\$ 423,882	\$ 424,117	\$ 235
Licenses and permits	21,000	21,000	27,807	6,807
State aid	386,915	386,915	388,661	1,746
Charges for services	3,500	3,500	4,894	1,394
Interest and dividends	5,000	5,000	15,102	10,102
Rents and royalties	10,500	10,500	17,025	6,525
Donations and contributions	-	-	1,700	1,700
Miscellaneous	6,613	6,613	2,868	(3,745)
Total revenues	857,410	857,410	882,174	24,764
EXPENDITURES				
General Government:				
Township board	13,846	13,846	13,045	801
Supervisor	16,275	16,275	16,221	54
Treasurer	35,316	35,116	33,434	1,682
Assessing	29,912	30,112	29,806	306
Clerk	28,510	28,015	27,370	645
Elections	250	2,750	2,743	7
Buildings and grounds	56,409	77,246	75,177	2,069
All other general government	82,280	83,480	63,681	19,799
Public Safety:				
Fire protection	54,673	54,573	51,833	2,740
Building inspection and regulation activities	20,917	20,917	19,747	1,170
Public Works:				
Roads and drains	312,300	309,600	255,938	53,662
Community Development:				
Community Action	1,780	1,780	860	920
Planning and zoning	15,711	15,696	8,486	7,210
Recreation and Culture:				
Parks and recreation	27,736	7,727	7,340	387
Library	60,000	60,000	58,168	1,832
Capital Outlay:				
General government	14,500	49,783	49,780	3
Fire protection	10,000	10,000	6,634	3,366
Parks and recreation	-	24,844	24,844	-
Debt Service:				
Principal payments	70,271	70,271	70,271	-
Interest payments	6,724	6,724	6,724	-
Total expenditures	857,410	918,755	822,102	96,653
Net change in fund balances	-	(61,345)	60,072	121,417
Fund balances-beginning	279,269	279,269	279,269	-
Fund balances-ending	\$ 279,269	\$ 217,924	\$ 339,341	\$ 121,417